

VZCZCXRO9272
RR RUEHBW RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHYE #0356/01 1141440
ZNY CCCCC ZZH
R 231440Z APR 08 ZDS
FM AMEMBASSY YEREVAN
TO RUEHC/SECSTATE WASHDC 7442
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RHMFISS/HQ USEUCOM VAIHINGEN GE//ECJ4/ECJ5-A/ECJ1/ECJ37//
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 000356

SIPDIS

SIPDIS

//// C O R R E C T E D C O P Y ////
//// CHANGED CONTENT IN PARA 6 ////

E.O. 12958: DECL: 04/22/2018

TAGS: [PGOV](#) [KDEM](#) [AM](#)

SUBJECT: ARMENIA'S NEW CABINET: SLIGHTLY FRESHENED, BUT A
LOT LIKE THE OLD ONE

YEREVAN 00000356 001.4 OF 003

Classified By: CDA Joseph Pennington, reasons 1.4 (b,d)

¶1. (C) SUMMARY: President Sargsian's new cabinet is now complete, with the final appointments announced late April ¶21. Eleven of 17 ministers were reappointed, although several of these had their portfolios adjusted. The most positive developments (and probably the most deliberate signal sending) are in several economic ministries, in which President Sargsian has shifted more authority to technocrats with good reputations. The changes at the influential ministries of Foreign Affairs and Defense inspire neither criticism nor admiration. Swapping the equally disliked Hovik Abrahamian and Armen Gevorgian between the powerful jobs of presidential chief of staff and deputy prime minister requires more Kremlinology to assess, and its implications will become clearer over time. Overall, this is at best a marginal improvement over the previous cabinet, which was an even more timid, marginal improvement over the cabinet that served for most of President Kocharian's term. We also see signs here of intense negotiating between the current and former presidents over several of these appointments. END SUMMARY.

¶2. (C) THE GOOD: The most encouraging signals to emerge with the new cabinet were the appointment of Tigran Davtian as Finance Minister, and the allocation of additional portfolios to the relatively well-liked Economy Minister (formerly Trade and Economic Development Minister) Nerses Yeritsian and Energy and Natural Resources Minister (formerly just Energy) Armen Movsisian. Davtian spent the bulk of his career at the Trade and Economic Development Ministry, where he had been the deputy minister up until the June 2007 cabinet reshuffle, at which time he was appointed to head the Armenian Development Agency. Yeritsian, an even younger technocrat, was plucked from the middle management ranks of the Central Bank during last year's reshuffle to head the Trade Ministry, and his ministry has now been expanded. Both men are smart, non-partisan technocrats -- and effective, long-time embassy contacts -- who have no political base of their own. Both are seen as clean and competent. Some rank and file staff have muttered that Yeritsian is not a terribly effective manager of the ministry; perhaps not surprising in a new, young minister without much executive experience. Also good news is that oversight of the lucrative mining and forestry sectors, previously the province of the notoriously corrupt Nature Protection Ministry, has been transferred to the more upstanding and more competent Energy Minister. The likely appointment of a senior Nature Protection Ministry functionary to be named to oversee these sectors as deputy minister, however could mean that this is simply a

smoke-and-mirrors PR move, and the intention is for shady business-as-usual to continue in the highly politicized sector.

13. (C) NOT SO GOOD, NOT SO BAD: The appointments of Armen Gevorkian and Hovik Abrahamian to each other's former jobs are harder to assess. At its simplest level, neither is a clear "upgrade" or "downgrade" from the previous incumbent. Armen Gevorkian is very clearly ex-president Kocharian's man. Abrahamian's first loyalty is more evidently to his own interests. His secondary loyalties have been murkier, but he is believed also to be more Kocharian's man than Serzh Sargsian's. Both of these appointments seem to have been the result of intense bargaining between Kocharian and the new president, with Kocharian probably determined to install his loyalists in several key positions to watch out for his interests. Several weeks ago, Serzh Sargsian's senior advisor and son-in-law Mikhail Minasian had confided to CDA that he (Minasian) and Levon Martirosian, would leave government service, while Armen Gevorkian would remain as presidential chief of staff, and Vigen Sargsian would stay on as presidential adviser. Obviously that information has been overtaken by events, as Gevorkian has moved to deputy prime minister/territorial administration minister, and Abrahamian has moved to head the presidential staff. This is at least circumstantial evidence for our belief that hard bargaining continued right up until the end. Gevorkian's new appointment looks like a promotion in fact as well as in protocol rank, particularly since he will retain his additional position as chairman of the Lincy Foundation. While Abrahamian's position is potentially quite influential (and certainly Gevorkian was powerful enough in that job), our hunch is that Abrahamian is being marginalized. It would not surprise us to see him pushed out completely in the next six months to a year. Abrahamian has one of the most checkered reputations in the Armenian Government, for both corruption as well as for his role as chief operating officer of the dirtiest and most coercive tactics of Serzh Sargsian's presidential election campaign. While Gevorkian is reviled by the diplomatic corps, over whom he has often rudely run

YEREVAN 00000356 002.4 OF 003

roughshod on Kocharian's behalf (the fact that the boyish-faced Gevorkian looks like a teenager probably exacerbates the ambassadors' sense of grievance), he has much less of a negative public figure than Abrahamian. However, under Gevorkian we expect the Territorial Administration Ministry to continue to be the command center for orchestrating dirty deeds and maintaining firm central control over regional and municipal governments.

14. (C) DEFENSE AND FOREIGN AFFAIRS: The defense and foreign ministry appointments were foreshadowed much earlier. Both men seem, as far as we can tell, to be personally loyal to the new president and without much political base of their own. Foreign Minister Nalbandian, who has long been Armenia's ambassador in Paris, is considered pro-Moscow. The French Ambassador here knows, dislikes, and disparages Nalbandian. The Foreign Ministry rank and file seem similarly disenchanted with their new minister. Both the French Ambassador and DCM have separately confessed to emboffs that Nalbandian pulled a fast one on the Elysee Palace, which is why French President Sarkozy's effusive congratulations to Sargsian was among the very first such letter to arrive. It seems that a Nalbandian contact in the Elysee Palace had shared with Nalbandian an advance draft copy of a proposed Sarkozy congratulations letter, and Nalbandian promptly released the text to the media as the final product, correctly gambling that the French administration would find it too embarrassing to publicly disavow the draft. At the Defense Minister, General Ohanian's appointment as minister was widely suspected last year when he first came from Nagorno Karabakh (NK) as chief of the general staff, though in more recent months other serious candidates had been proposed as well. Ohanian is understood to be a close comrade of Serzh Sargsian from the

NK war times, and presumed to be thoroughly loyal to the new president.

15. (C) ORINATS YERKIR'S MINISTERS: The Orinats Yerkir party's new ministerial posts (Emergency Situations, and Transport and Communication) seem of little real consequence.

The Emergency Situations Ministry is a newly created portfolio to oversee the pre-existing Armenian Rescue Service (itself the repackaged successor of an earlier, abolished Ministry of Emergency Situations structure). While potentially a powerful post, we suspect that Mher Shahgeldian -- the thoroughly decent, loyal lieutenant of smooth-talking party leader Artur Baghdassarian -- may well find himself more of a figurehead minister, though he could surprise us. We know very little so far about Guren Sargsian, the new Minister of Transport and Communication, except for the widespread whispers that the new minister had outright bribed Artur Baghdassarian for his high position on the Orinats Yerkir party list during the May 2007 parliamentary election.

Sargsian had just joined the Orinats Yerkir party weeks before the May 2007 election, and had no other evident qualifications for high political office than his money. Transport and Communications has traditionally been a portfolio given as a lucrative plum, and its ministers consistently are ranked, according to popular wisdom, among the most corrupt figures in government.

16. (U) THE NEW CABINET:

Prime Minister:

Tigran Sargsian, no political party affiliation

Deputy Prime Minister/Minister of Territorial Administration:

Armen Gevorgian, no political party affiliation

Minister of Agriculture:

David Lokian, Armenia Revolutionary Federation

Minister of Culture:

Hasmik Poghosian, no political party affiliation

Minister of Defense:

Seyran Ohanian, no political party affiliation

Minister of Economy:

Nerses Yeritsian, no political party affiliation

Minister of Education and Science:

Levon Mkrtchian, Armenia Revolutionary Federation

Minister of Emergency Situations:

Mher Shahgeldian, Rule of Law (Orinats Yerkir)

Minister of Energy and Natural Resources:

Armen Movsisian, Republican Party

YEREVAN 00000356 003.4 OF 003

Minister of Finance:

Tigran Davtian, no political party affiliation

Minister of Foreign Affairs:

Edward Nalbandian, No political party affiliation

Minister of Health:

Harutyun Kushkian, Prosperous Armenia

Minister of Justice:

Gevorg Danielyan, Republican Party

Minister of Labor and Social Affairs:

Aghvan Vardanian, Armenia Revolutionary Federation

Minister of Nature Protection:

Aram Harutyunian, Republican Party

Minister of Sports and Youth Affairs:
Armen Grigorian, Prosperous Armenia

Minister of Transport and Communication:
Gurgen Sargsian, Orinats Yekir

Minister of Urban Development:
Vardan Vardanian, Prosperous Armenia

17. (U) OTHER APPOINTMENTS:

Presidential Chief of Staff:
Hovik Abrahamian
(former deputy prime minister and territorial administration minister)

Cabinet Chief of Staff:
David Sargsian
(former department head for financial system policy at the Central Bank)

Presidential Adviser/Chief Military Inspector:
Mikhail Harutyunian
(former defense minister)

Presidential Adviser:
Andranik Manukian
(former minister of transport and communication)

Presidential Adviser:
Manuk Topuzian
(former minister without portfolio and cabinet chief of staff)

Presidential Adviser:
Samvel Farmanian

PENNINGTON